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Consolidated Tape: Towards a Genuine Capital Market Union

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It is a pleasure to be here for this discussion.

For me it is one more opportunity to better understand your views and concerns.

I also believe that among all of us in this panel we share the same objective.

We want to see a tape that delivers and that paves the way towards a genuine Capital market union.

A tape that will increase the international attractiveness of European Market and allow us to overcome the fatigue around the CMU.

A tape that will fill some gaps existing in the regulatory environment and produce simple, understandable and deliverable market context.

I believe that Tilman Lueder and his colleagues at DG FISMA have put on the table a valid proposal that can be practical in use, and make the market transparent and less fragmented.

The list of our expectations is long and I am convinced we share them.

During our meetings so far we agreed that market fragmentation creates liquidity and trade execution risks, creates uncertainty and reduces the attractiveness of EU capital markets.

We did not deliver in the first approach to the tape, so the expectations today are high.

For this reason, the Commission put forward a comprehensive impact assessment on the tape.

It is true that it focuses mostly on equity.

And in particular on derivatives it is much less detailed.

Also, in our conversations with stakeholders, derivatives were seen as a later stage task.

But recently a lot of stress has been created in the commodity derivatives market, so the question pops up as to whether we should we pay more attention to the CT for this asset class.

As you know I have been extensively engaging with market participants, most of whom seemed to welcome the introduction of the European Consolidated Tape.

The differences lie in how they think the tape should be introduced; how it should be governed; how fast it should be; and what should be its scope.

For the equity tape, the broadcasting speed seemed to be very important, but there were also those who emphasized additional costs that a faster tape creates.

In this context, we heard arguments in favor of delayed data, which are already largely available and provided for free, but also in favor of a close-to-real time tape.

In the latter case, the use cases would be better satisfied, which is also supported by the COM approach.

Depending on the speed, the revenue sharing model would have to be adjusted accordingly.

Regarding a close-to-real time tape and ensuring commercial viability of the tape, there seemed to be consensus on the need to take into account the risk for smaller stock exchanges that might go out of business.

These arguments are political, and the co-legislators might be sensitive to them.
Still, my hope is that politics will not hinder the effectiveness of the measures introduced.

Another contentious point in the equity space was on whether the tape should include - or aim to include - pre-trade data.

My understanding was that speed and pre and post transparency were less prominent regarding the fixed income space, where the biggest issues seem to be data quality and deferrals.

And we should not forget that in terms of trade volume bond market is twice the equity market.

So my question is whether we really need to choose one tape to start with.

What immediately should follow is the question whether ESMA would be ready to manage launching more than one tape.

One can say that if we fix the data quality issue we could introduce a bonds' CT as well.

It is probably true that equity is easier, it is not politically challenged, stock exchanges have data.

But for bonds, speed seem to be not important. Pre-trade transparency is not needed. The issue of revenue distribution is less relevant. Post trade can be slower. The main issue is the standardization of data.

But of course, should a bond tape be introduced, the harmonization of the deferral regime is necessary, and the calibration of the transparency rules for fixed income at level two must be done properly.

For this reason, it would be necessary to offer ESMA the right support and tools.

And we also know that ESMA questions the too ambitious timeline.

Before concluding, a few words on international competitiveness of European capital market in the context of the proposal.

To have a good start for the tape we must see if there are risks of putting the EU capital markets at a competitive disadvantage compared to other jurisdictions.

The common goal is a successful tape. Europe needs it.

And one more issue related to the way we legislate.

In this file and also in the context of the tape I see that the Commission proposal is a bit more prescriptive when it comes to equity tape.

I can imagine that the level of detailed solutions is sometimes a result of pressures coming from 27 national competent authorities.

But we have one European supervisor which allows for less prescriptive legislation.

I trust we could have one more hard look at the draft and be here and there less prescriptive and more principles based.